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Federal Budget 2012

The federal budget, tabled by the Minister of Finance on March 29, 2012, included several proposed measures relating to the GST/HST and excise tax and also proposed *Amendments to Various GST/HST Regulations*. The *Notice of Ways and Means Motion to Amend the Excise Tax Act* is now Bill C-38, the *Jobs, Growth and Long-term Prosperity Act* , which was introduced and received First Reading in the House of Commons on April 26, 2012. The following are highlights of these measures for GST/HST and excise tax purposes.

Health

Currently, supplies of most health care services are exempt from the GST/HST and supplies of prescription drugs and many medical devices are zero-rated. Bill C-38 proposes to expand these exempting and zero-rating provisions.

Pharmacists' services

Effective for supplies made after March 29, 2012, Bill C-38 proposes to exempt:

- non-dispensing services rendered by a pharmacist within a pharmacist-patient relationship for the promotion of the patient's health or for the prevention or treatment of a disease, disorder or dysfunction of the patient; and
- diagnostic services prescribed by regulation and ordered by a pharmacist if the order is made within a pharmacist-patient relationship and the pharmacist is authorized under the laws of the province in which the person practises to order such a service.

Online services for business accounts: To view account information and do transactions, go to www.cra.gc.ca/representatives, if you are an authorized representative or employee; or www.cra.gc.ca/mybusinessaccount, if you are the business owner. See the article in this issue of the *Excise and GST/HST News* for more information.

GST/HST NETFILE: Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to www.cra.gc.ca/gsthst-netfile or through www.cra.gc.ca/representatives, if you are an authorized representative or employee; or www.cra.gc.ca/mybusinessaccount, if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

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Canada

Corrective eyewear
Currently, corrective eyewear is zero-rated when it is supplied on the written order of an eye care professional authorized under the laws of the province in which the person practises to prescribe eyeglasses or contact lenses.

Bill C-38 proposes to expand the zero-rating provision to include corrective eyewear supplied under the authority of an assessment record produced by a person who is entitled under the laws of the province in which the person practises (e.g., an optician) to produce the assessment record authorizing the dispensing of corrective eyewear.

This measure will apply to supplies made after March 29, 2012 and to supplies made before March 30, 2012, if GST/HST was not charged, collected or remitted in respect of the supply.

Medical and assistive devices supplied on written orders
Currently, certain medical and assistive devices supplied on the written order of a "medical practitioner" are zero-rated.

Bill C-38 proposes to repeal the definition of "medical practitioner" for purposes of these zero-rating provisions and replace it with "specified professional". "Specified professional" means a person entitled to practise the profession of medicine, physiotherapy or occupational therapy or a registered nurse. As a result, after March 29, 2012, certain medical and assistive devices that are zero-rated when supplied on the written order of a physician will also be zero-rated if they are supplied on the written order of a physiotherapist, occupational therapist or registered nurse.

Blood coagulation monitoring or metering devices and associated test strips and reagents
Bill C-38 proposes that supplies of blood coagulation monitoring or metering devices and associated test strips and reagents made after March 29, 2012, will be zero-rated.

Drugs
Bill C-38 proposes to zero-rate supplies of the drug "Isosorbide-5-mononitrate" made after March 29, 2012 and supplies made before March 30, 2012, if GST/HST was not charged, collected or remitted in respect of the supply.

GST rebate for books given away for free by prescribed literacy organizations

Currently, the rebate of the GST and the federal part of the HST for printed books (including audio recordings of printed books and printed versions of religious scriptures) that is available to specified organizations (such as public libraries, educational institutions and prescribed literacy organizations) does not apply to books that are acquired to be given away.

For acquisitions and importations of printed books in respect of which tax becomes payable after March 29, 2012, Bill C-38 proposes to allow prescribed literacy organizations to claim a rebate of the GST (and the federal part of the HST) in respect of those books.

Charities and qualifying non-profit organizations whose primary purpose is to promote literacy are prescribed by regulation and are listed in the Schedule under the *Federal Book Rebate (GST/HST) Regulations*.

Increasing GST/HST streamlined accounting thresholds

Currently, most small businesses and most public service bodies have the option of electing to use a simplified method for calculating their net tax or public service body rebate, subject to certain thresholds. For reporting or claim periods beginning after 2012, the budget proposed *Amendments to Various GST/HST Regulations* to double the thresholds as follows:

Quick method
The annual taxable sales threshold will double from $200,000 to $400,000.

Streamlined input tax credit method and the simplified method of calculating public service body rebates
The annual taxable sales threshold will double from $500,000 to $1,000,000; and the annual taxable purchases threshold will double from $2,000,000 to $4,000,000.

Foreign-based rental vehicles temporarily imported by Canadian resident individuals

Currently, Canadian resident individuals who temporarily import foreign-based rental vehicles into Canada generally have to pay the GST on the full value of the vehicle and any applicable excise taxes.

Effective for importations after May 31, 2012, Bill C-38 proposes that where a Canadian resident individual temporarily imports a foreign-based rental vehicle for a period not exceeding 30 days:

- GST/HST will apply on fixed monetary values for each week or part of a week the vehicle is in Canada at the rate of the province where it is imported if, at the time of importation, the resident has been outside Canada for less than 48 hours as follows;
  - $200 for cars;
  - $300 for pick-up trucks, sport utility vehicles and vans; and
  - $1,000 for recreational vehicles, such as motor homes;
- GST/HST will not apply if, at the time of importation, the resident has been outside Canada for at least 48 hours; and
- excise taxes on fuel-inefficient vehicles (i.e., the Green Levy) and on automotive air conditioners will not apply.

Green Levy

Currently, the application of the excise tax on fuel-inefficient vehicles (i.e., the Green Levy) is based on the weighted average (i.e., 55 per cent city/45 per cent highway) fuel consumption rating for a vehicle determined in accordance with information published by the Government of Canada under the EnerGuide mark on the basis of a standardized two-cycle test method. On February 17, 2012, the Government announced that it will be changing the standardized fuel consumption test method used for the EnerGuide.

To ensure that any changes to this test method do not affect the application of the Green Levy, effective on Royal Assent, Bill C-38 proposes that the weighted average fuel consumption rating for purposes of the Green Levy will continue to be determined by reference to the current test method (i.e., the standardized two-cycle test method).

Proposed transitional rules – elimination of the harmonized sales tax in British Columbia

On February 17, 2012, the Department of Finance published a news release, *Department of Finance Announces Transitional Rules for the Elimination of the Harmonized Sales Tax in British Columbia* (2012-017), announcing proposed transitional rules for the provincial decision to eliminate the HST in British Columbia (B.C.). The proposed transitional rules specify how and when the B.C. component of the HST would cease to apply to transactions that straddle March 31, 2013. The effective date for the transition from the HST to the GST on taxable supplies made in B.C. would be April 1, 2013.

In addition, on February 17, 2012, the Government of British Columbia released a tax information notice concerning enhancements to the B.C. new housing rebates and new residential rental property rebates, as well as transitional rules for supplies of residential real property in B.C.

For more information please see GST/HST Notice270, *Elimination of the HST in British Columbia in 2013 – Questions and Answers* on the CRA Web site and GST/HST Notice272, *Harmonized Sales Tax – Questions and Answers on Proposed Enhancements to the British Colombia New Housing Rebates and New Residential Rental Property Rebates.*

Prince Edward Island harmonized sales tax

On April 18, 2012, the Province of Prince Edward Island announced in their budget that it will enter into formal negotiations with the federal government to implement a harmonized sales tax (HST) at the rate of 14%, effective April 1, 2013. Next issues of the *Excise and GST/HST News* will provide more information on the subject.

Rebate for tax remitted in error by suppliers

Under section 261 of the *Excise Tax Act*, a supplier who has remitted an amount in error as or on account of GST/HST may apply for a rebate. This rebate does not apply to a supplier who has mistakenly charged or collected the GST/HST. The supplier is required to include this tax amount in the net tax calculation in a GST/HST return for the reporting period in which the tax was charged or collected. The supplier may refund, adjust or credit the excess amount of tax that was charged to or collected from a purchaser, within two years after the day the tax was charged or collected. The supplier is then allowed to deduct the excess amount refunded or credited in determining the supplier's net tax for the reporting period in which a credit or debit note is issued, to the extent that the amount has been included in determining the supplier's net tax for the reporting period or a preceding reporting period.

However, a supplier can apply for a rebate of an amount remitted in error in specific situations, such as:

- if the supplier has not collected GST/HST from a recipient in respect of an exempt or zero-rated supply but has, erroneously, remitted from its funds an amount as GST/HST on that supply; or
- if the supplier has collected an amount of GST/HST from a recipient but has mistakenly remitted more GST/HST than was collected.

The rebate is not available to the extent that the amount was taken into account as tax or net tax for a reporting period of the supplier and the Minister has assessed the supplier for that reporting period. Starting in April 2007, the Canada Revenue Agency (the CRA) has in most cases issued a Notice of Assessment once a GST/HST return was filed. In the event that an assessment was raised for the reporting period in question, the supplier is not eligible to file a rebate application for tax remitted in error. In this case, the supplier has the following options:

- The supplier may file a Notice of Objection, using Form GST159, *Notice of Objection (GST/HST)*, within 90 days of the assessment.

- If the supplier has not filed the Notice of Objection within that time frame, the supplier may file an application for an extension of time to file the Notice of Objection if there is a valid reason for failing to file the objection on time. The application must be made within one year after the expiration date for filing the Notice of Objection.
- The supplier may also request a reassessment. The request should be made in writing to the local tax services office and provide the details of any requested adjustments to the previously filed GST/HST return. A request for a reassessment must be made within four years after the later of the day the return was required to be filed and the date the return was filed.

Since April 2011, a GST/HST return for a reporting period in which the net tax owing is equal to the payment made with the return will generally no longer be automatically assessed upon initial filing. Consequently, a Notice of Assessment would not be issued for that period. If the GST/HST return is not assessed, the supplier who has remitted the tax in error in that return may claim a rebate for the tax remitted in error, as long as the rebate claim is submitted within two years after the day the amount was remitted. The rebate may be claimed using Code 1 on Form GST189, *General Application for Rebate of GST/HST*. For detailed instructions on how to complete the form, please refer to the Guide RC4033, *General Application for GST/HST Rebates*.

Sale of new, used, or donated goods in a second-hand store

The sale of new, used, or donated goods in a second-hand store operated by a non-profit organization, or a for-profit organization, is generally taxable and GST/HST would have to be collected on these sales when made by a GST/HST registrant.

In contrast, sales in a second-hand store operated by a person that is a registered charity under the *Income Tax Act* (and therefore a charity for GST/HST purposes) are treated differently. Sales in a charity's second-hand store of goods that were donated to the charity or used by another person before their acquisition by the charity are exempt of the GST/HST. However, the sale in a charity's second-hand store of new goods is generally taxable and, when the charity is a GST/HST registrant, it will be required to collect GST/HST on these sales.

Where a second-hand store is located in Ontario, Nova Scotia or British Columbia, and where that store's sales are subject to GST/HST (e.g., where the sales are by a non-profit organization), there would be a point-of-sale rebate for the provincial part of the HST payable on certain qualifying children's goods and on certain qualifying books. A point-of-sale rebate on certain qualifying books is also available in New Brunswick and Newfoundland and Labrador. Where the point-of-sale rebate applies, the qualifying items would only be subject to the federal part of the HST (i.e., 5% tax, rather than 12%, 13% or 15%). The CRA has published two Info Sheets that explain these rebates: GST/HST Info Sheet GI-063, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Children's Goods* and GST/HST Info Sheet GI-065, *Harmonized Sales Tax for Ontario and British Columbia – Point-of-Sale Rebate on Books*. Information on the point-of-sale rebate on books sold in Nova Scotia, New Brunswick and Newfoundland and Labrador can be found in GST/HST Memoranda 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*. These publications can be found on the CRA Web site.

A GST/HST registrant is a person who is registered, or who is required to be registered. Every person who makes a taxable supply in Canada in the course of a commercial activity must register for the GST/HST except where: the person is a small supplier (excluding a person that carries on a taxi business); the only commercial activity of the person is the making of supplies of real property by way of sale otherwise than in the course of a business; or the person is a non-resident person who does not carry on any business in Canada.

A "small supplier" refers to a person whose revenue from worldwide taxable supplies was equal to or less than $30,000 ($50,000 for public service bodies) in a calendar quarter and over the last four consecutive calendar quarters. Charities and public institutions are also considered small suppliers if they meet the gross revenue test of $250,000 or less.

Most small suppliers engaged in a commercial activity in Canada can choose to register voluntarily. Small suppliers who register voluntarily must collect and remit GST/HST on their taxable supplies of goods and services and subsequently, can claim input tax credits (ITCs) for the GST/HST paid or owed on purchases related to these supplies. Small suppliers who choose not to register will not collect GST/HST on their supplies (other than on taxable sales of real property and certain sales of capital property made by a municipality or designated municipality), and are not entitled to claim the GST/HST paid on business purchases as ITCs.

Reminder – GST/HST Web registry

For the purposes of claiming input tax credits (ITCs) on your purchases of $30 or more, the Act requires you to have supporting documentation for the purchase, which includes the GST/HST registration number of the supplier from whom you are purchasing goods or services.

The GST/HST account number (also referred to as a Business Number or registration number) must be included on receipts, invoices, contracts, or other business papers used when taxable goods or services of $30 or more are supplied by a person registered for GST/HST.

You can verify whether your suppliers are providing valid GST/HST numbers by using the GST/HST Registry. Visit the CRA Web page at www.cra.gc.ca/gsthstregistry.

If you are having trouble using the GST/HST Registry, please call Business Enquiries at: 1-800-959-5525.

What's new with GST/HST electronic filing?

Effective April 16, 2012, several new or enhanced services will be available for GST/HST return and rebate filers via the My Business Account portal.

To sign up and access these new and enhanced services, go to:

- www.cra.gc.ca/mybusinessaccount if you are a business owner; or
- www.cra.gc.ca/representatives if you are a representative (including employees).

The new services being introduced for GST/HST are:

View expected and filed returns

The CRA has revised the "View a return" option and renamed it "View expected and filed returns". In addition to viewing the detailed line-by-line information for returns that are assessed or reassessed, you can now also view any expected returns and their due date.

File an election

This new feature provides an electronic filing alternative for the following elections:

- GST20, *Election for GST/HST Reporting Period*
- GST70, *Election or Revocation of an Election to Change a GST/HST Fiscal Year*
- GST71, *Notification of Accounting Periods*

View a PSB rebate

This new option provides an easy way for public service bodies to view rebates that they have previously filed.

New online enquiries service

The CRA is offering a new service where businesses and their representatives can now ask us questions about their tax account online and get responses in writing electronically in My Business Account.

The new "Enquiries service" has the "Submit an enquiry" option to ask your specific account-related questions. The CRA will strive to provide a response to your submitted enquiry within 10 business days. You will find your response in the "View correspondence" service if you requested to receive a notification by e-mail or through the "Message Centre" service in My Business Account when it is completed and ready for viewing.

To sign up and access the new online "Enquiries service", go to:

www.cra.gc.ca/mybusinessaccount if you are a business owner; or

www.cra.gc.ca/representatives if you are an employee or a representative of a business.

Online services built for businesses

Going online makes good business sense. Take control of your business's tax accounts, and instantly access and make changes to tax information online. With CRA's online secure portals, you can:

- authorize a representative for **online access** to your business accounts
- manage or view addresses (**new service**)
- file and adjust a GST/HST return without a Web access code; and, view a processed return line-by-line along with the processing status and expected returns (**enhanced service**)
- file a Public Service Bodies' (PSB) rebate for registrant and non-registrant PSB filers
- adjust and view previously filed PSB rebates (**new services**)
- file an election (**new service**)
- file Form GST189, *General Application for Rebate of GST/HST* for Ontario First Nations point-of-sale relief through My Business Account when filing a GST/HST return
- view notices and statements
- view up-to-date account balances and transactions
- view endorsements
- transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances
- calculate instalment payments
- view representative's transactions
- view banking information
- view and manage operating names
- manage profile to add or remove a business
- submit an enquiry, or make online requests (for example, order additional remittance vouchers) (**new service**)
- view messages in the Message Centre about new electronic services or other information as well as receive notification of responses to your submitted enquiries (**enhanced service**)
- submit suggestions to improve My Business Account (**new service**)

To access our online secure portals, for:

- business owners, go to www.cra.gc.ca/mybusinessaccount, or
- representatives (including employees), go to www.cra.gc.ca/representatives.

Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2012, to June 30, 2012, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
Period	Refund Interest	Arrears and Instalment Interest	Arrears Interest
2012			
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
2011			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at www.cra.gc.ca/interestrates.

What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

GST/HST forms

GST10	*Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Application for Branches or Divisions*
GST44	*Election Concerning the Acquisition of a Business or Part of a Business*
GST70	*Election or Revocation of an Election to Change a GST/HST Fiscal Year*
GST189	*General Application for Rebate of GST/HST*
GST191	*GST/HST New Housing Rebate Application for Owner-Built Houses*
GST191-WS	*Construction Summary Worksheet*
GST288	*Supplement to Forms GST189 and GST498*

GST524	*GST/HST New Residential Rental Property Rebate Application*
RC145	*Request to Close Business Number (BN) Program Accounts*
RC325	*Address change request*
RC7001-BC	*British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Residential Condominiums*
RC7002-BC	*British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Apartment Buildings*
RC7190-BC	*GST190 British Columbia Rebate Schedule*
RC7191-BC	*GST191 British Columbia Rebate Schedule*
RC7524-BC	*GST524 British Columbia Rebate Schedule*

GST/HST notices

Notice269	*For discussion purposes only – Draft GST/HST Memorandum 3.7, Natural Resources*
Notice270	*Elimination of the HST in British Columbia in 2013 – Questions and Answers*
Notice271	*Filing a First Nations Tax (FNT) Schedule (Form GST499/Form GST499-1)*
Notice272	*Harmonized Sales Tax – Questions and Answers on Proposed Enhancements to the British Colombia New Housing Rebates and New Residential Rental Property Rebates*
Notice273	*GST/HST Rulings Service – Eligibility of Tours under the Foreign Convention and Tour Incentive Program*

GST/HST Info sheets

GI-125	*Direct Selling Industry – The Alternate Collection Method for Approved Direct Sellers and Approved Distributors*
GI-126	*Direct Selling Industry – The Alternate Collection Method for Independent Sales Contractors*

GST/HST guides

RC4028	*GST/HST New Housing Rebate*
RC4033	*General Application for GST/HST Rebates*
RC4100	*Harmonized Sales Tax and the Provincial Motor Vehicle Tax*
RC4231	*GST/HST New Residential Rental Property Rebate*
RC4409	*Keeping Records*
RC4420	*Information on CRA – Service Complaints*

GST/HST Policy Statements

P-202	*Gift Certificates*

GST/HST memoranda

8-2	*General Restrictions and Limitations* (modification)
8-3	*Calculating Input Tax Credits*
8-6	*Input Tax Credits for Holding Corporations and Corporate Takeovers* (modification)

Excise duty forms

B270	*Excise duty return – Non-Licensee*

Excise duty memoranda

EDM1-1-2 *Regional Excise Duty Offices*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at www.cra.gc.ca/gsthsttech, at www.cra.gc.ca/etsl, and at www.cra.gc.ca/exciseduty.

To receive email notification as soon as a document is published on the CRA Web site, go to the electronic mailing lists page at www.cra.gc.ca/lists and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.

Enquiries

For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- www.cra.gc.ca/representatives, if you are an authorized representative or employee; or
- www.cra.gc.ca/mybusinessaccount, if you are the business owner.

For technical help while using our online services for:

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353.

For GST/HST technical enquiries call GST/HST Rulings at 1-800-959-8287.

Forms and publications
To access forms and publications online go to www.cra.gc.ca/orderforms.
To order forms and publications by telephone call 1-800-959-2221.

Are you a GST/HST registrant located in Quebec?
To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at www.revenuquebec.ca.

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.